RESOURCES CONNECTION INC
Form 10-Q
April 09, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 0-32113

RESOURCES CONNECTION, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**33-0832424**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

17101 Armstrong Avenue, Irvine, California 92614
(Address of Principal Executive Offices and Zip Code)
(714) 430-6400
(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of April 2, 2009, 45,031,721 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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PART I FINANCIAL INFORMATION

PART II OTHER INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

RESOURCES CONNECTION, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(amounts in thousands, except par value per share)

	February 28, 2009	May 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 120,977	$ 80,814
Short-term investments	25,000	26,000
Trade accounts receivable, net of allowance for doubtful accounts of $5,534 and $3,976 as of February 28, 2009 and May 31, 2008, respectively	84,134	126,669
Prepaid expenses and other current assets	4,482	6,075
Prepaid income taxes	10,213	530
Deferred income taxes	9,102	9,102
Total current assets	253,908	249,190
Goodwill	108,168	107,761
Intangible assets, net	5,539	7,644
Property and equipment, net	36,353	39,901
Deferred income taxes	3,200	4,685
Other assets	1,666	1,321
Total assets	$ 408,834	$ 410,502
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 15,787	$ 19,315
Accrued salaries and related obligations	49,230	64,174
Other current liabilities	7,772	7,935
Total current liabilities	72,789	91,424
Other long-term liabilities	2,358	7,269
Deferred income taxes	2,119	5,921
Total liabilities	77,266	104,614
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.01 par value, 5,000 shares authorized; zero shares issued and outstanding		
Common stock, $0.01 par value, 70,000 shares authorized; 53,242 and 52,294 shares issued; and 44,980 and 44,654 outstanding as of February 28, 2009 and May 31, 2008, respectively	532	523
Additional paid-in capital	275,791	249,033
Accumulated other comprehensive (losses) gains	(7,368)	8,534
Retained earnings	254,553	230,505

Treasury stock at cost, 8,262 shares and 7,640 shares at February 28, 2009 and May 31, 2008, respectively		(191,940)		(182,707)
Total stockholders equity		331,568		305,888
Total liabilities and stockholders equity	$	408,834	$	410,502

The accompanying notes are an integral part of these financial statements.

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RESOURCES CONNECTION, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	February 28, 2009	**February 23, 2008**	**February 28, 2009**	**February 23, 2008**
Revenue	$ 155,989	$ 202,803	$ 553,527	$ 603,561
Direct cost of services, primarily payroll and related taxes for professional services employees	97,988	127,252	340,576	374,908
Gross profit	58,001	75,551	212,951	228,653
Selling, general and administrative expenses	50,803	57,518	161,696	166,061
Amortization of intangible assets	271	211	928	549
Depreciation expense	2,185	2,200	6,788	6,082
Income from operations	4,742	15,622	43,539	55,961
Interest income	(458)	(952)	(1,354)	(5,123)
Income before provision for income taxes	5,200	16,574	44,893	61,084
Provision for income taxes	3,120	7,909	20,845	27,801
Net income	$ 2,080	$ 8,665	$ 24,048	$ 33,283
Net income per common share:				
Basic	$ 0.05	$ 0.19	$ 0.53	$ 0.69
Diluted	$ 0.05	$ 0.19	$ 0.53	$ 0.67
Weighted average common shares outstanding:				
Basic	44,976	45,616	45,002	48,399
Diluted	45,390	46,547	45,760	49,952
Cash dividends declared per share	$	$	$	$ 1.25

The accompanying notes are an integral part of these financial statements.

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RESOURCES CONNECTION, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(Unaudited)
(amounts in thousands)

		Nine Months Ended February 28, 2009
COMMON STOCK SHARES:		
Balance at beginning of period		52,294
Exercise of stock options		392
Release of restricted stock		11
Issuance of common stock under Employee Stock Purchase Plan		545
Balance at end of period		53,242
COMMON STOCK PAR VALUE:		
Balance at beginning of period	$	523
Exercise of stock options		4
Issuance of common stock under Employee Stock Purchase Plan		5
Balance at end of period	$	532
ADDITIONAL PAID-IN CAPITAL:		
Balance at beginning of period	$	249,033
Exercise of stock options		4,791
Release of restricted stock		250
Stock-based compensation expense related to employee stock options and employee stock purchases		13,811
Tax benefit from employee stock option plans		224
Issuance of treasury stock for acquisitions of Kompetensslussen X-tern Personalfunktion AB and Limbus Holding B.V.		(361)
Issuance of treasury stock under employment agreements		20
Issuance of common stock under Employee Stock Purchase Plan		8,023
Balance at end of period	$	275,791
ACCUMULATED OTHER COMPREHENSIVE GAINS (LOSSES):		
Balance at beginning of period	$	8,534
Currency translation adjustment		(15,902)
Balance at end of period	$	(7,368)
RETAINED EARNINGS:		
Balance at beginning of period	$	230,505
Net income		24,048
Balance at end of period	$	254,553
TREASURY STOCK SHARES:		

Balance at beginning of period		7,640
Issuance of treasury stock for acquisitions of Kompetensslussen X-tern Personalfunktion AB and Limbus Holding B.V.		(86)
Issuance of treasury stock under employment agreements		(4)
Purchase of shares		712
Balance at end of period		8,262
TREASURY STOCK COST:		
Balance at beginning of period	$	(182,707)
Issuance of treasury stock for acquisitions of Kompetensslussen X-tern Personalfunktion AB and Limbus Holding B.V.		1,621
Issuance of treasury stock under employment agreements		79
Purchase of shares		(10,933)
Balance at end of period	$	(191,940)
COMPREHENSIVE INCOME:		
Net income	$	24,048
Currency translation adjustment		(15,902)
Total comprehensive income	$	8,146

The accompanying notes are an integral part of these financial statements.

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RESOURCES CONNECTION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(amounts in thousands)

	Nine Months Ended	
	February 28, 2009	February 23, 2008
Cash flows from operating activities:		
Net income	$ 24,048	$ 33,283
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,716	6,631
Stock-based compensation expense related to employee stock options and employee stock purchases	13,811	17,314
Excess tax benefits from stock-based compensation	(392)	(2,221)
Provision for uncollectible accounts receivable	1,824	
Deferred income tax benefit	(3,310)	(4,293)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Trade accounts receivable	33,532	(7,343)
Prepaid expenses and other current assets	880	2,586
Income taxes payable	(9,643)	(8,046)
Other assets	(29)	(688)
Accounts payable and accrued expenses	(1,123)	(1,441)
Accrued salaries and related obligations	(15,447)	(10,480)
Other liabilities	(4,214)	1,845
Net cash provided by operating activities	47,653	27,147
Cash flows from investing activities:		
Redemption of long-term investments		55,000
Purchase of long-term investments		(14,000)
Redemption of short-term investments	61,000	61,000
Purchase of short-term investments	(60,000)	(18,000)
Cash used to complete Domenica, B.V. acquisition		(17,334)
Cash used to complete Compliance Solutions (UK) Ltd. acquisition		(6,028)
Cash used to purchase Kompetensslussen X-tern Personalfunktion AB, net of cash acquired	(689)	
Cash used to purchase Limbus Holding B.V., net of cash acquired	(883)	
Purchases of property and equipment	(5,418)	(9,179)
Net cash (used in) provided by investing activities	(5,990)	51,459
Cash flows from financing activities:		
Proceeds from exercise of stock options	4,795	12,396
Proceeds from issuance of common stock under Employee Stock Purchase Plan	8,028	7,915
Repurchase of common stock	(10,933)	(81,079)

Excess tax benefits from stock-based compensation		392		2,221
Cash dividends paid				(60,652)
Net cash provided by (used in) financing activities		2,282		(119,199)
Effect of exchange rate changes on cash		(3,782)		1,124
Net increase (decrease) in cash and cash equivalents		40,163		(39,469)
Cash and cash equivalents at beginning of period		80,814		121,095
Cash and cash equivalents at end of period	$	120,977	$	81,626

The accompanying notes are an integral part of these financial statements.

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RESOURCES CONNECTION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Nine months ended February 28, 2009 and February 23, 2008

1. Description of the Company and its Business

Resources Connection, Inc. (Resources Connection) was incorporated on November 16, 1998. Resources Connection is an international professional services firm; its operating entities provide services under the name Resources Global Professionals (Resources Global or the Company). The Company provides clients with experienced professionals specializing in accounting, finance, risk management and internal audit, information management, human resources, supply chain management, actuarial and legal services in support of client-led projects and initiatives. The Company has offices in the United States (U.S.), Asia, Australia, Canada, Europe and Mexico. Resources Connection is a Delaware corporation.

The Company s fiscal year consists of 52 or 53 weeks, ending on the last Saturday in May. The first, second and third quarters of fiscal 2009 and 2008 consisted of 13 weeks each.

2. Summary of Significant Accounting Policies

Interim Financial Information

The financial information as of and for the three and nine months ended February 28, 2009 and February 23, 2008 is unaudited but includes all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair statement of its financial position at such dates and the operating results and cash flows for those periods. The year-end balance sheet data was derived from audited financial statements, and certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules or regulations; however, the Company believes the disclosures made are adequate to make the information presented not misleading.

The results of operations for the interim periods presented are not necessarily indicative of the results of operations to be expected for the fiscal year. These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended May 31, 2008, which are included in the Company s Annual Report on Form 10-K for the year then ended (File No. 0-32113).

Client Reimbursements of Out of Pocket Expenses

In accordance with Emerging Issues Task Force No. 01-14, Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred, the Company recognizes all reimbursements received from clients for out-of-pocket expenses as revenue and all expenses as direct cost of services. Reimbursements received from clients were $3.1 million and $3.9 million for the three months ended February 28, 2009 and February 23, 2008, respectively and $13.0 million and $12.6 million for the nine months ended February 28, 2009 and February 23, 2008, respectively.

Cash, Cash Equivalents and Short-Term Investments

The Company considers cash on hand, deposits in banks, and short-term investments purchased with an original maturity date of three months or less to be cash and cash equivalents. The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents approximate the fair values due to the short maturities of these instruments.

The Company accounts for its marketable securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. Accordingly, securities that the Company has the ability and positive intent to hold to maturity are carried at amortized cost. Cost approximates market for these securities.

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Stock-Based Compensation

The Company calculates stock-based compensation expense in accordance with SFAS No. 123 revised, Share-Based Payment (SFAS 123 (R)). This pronouncement requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including employee stock options and employee stock purchases made via the Resources Connection, Inc. Employee Stock Purchase Plan (the ESPP), to be based on estimated values. The Company adopted SFAS 123 (R) using the modified prospective method, which required the application of the accounting standard as of June 1, 2006, the beginning of the Company s 2007 fiscal year. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) related to SFAS 123 (R). The Company applied the provisions of SAB 107 in adopting SFAS 123 (R).

SFAS 123 (R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods. Stock options vest over four years and restricted stock award vesting is determined on an individual grant basis under the Company s 2004 Performance Incentive Plan. Under SFAS 123 (R), the Company determines the estimated value of stock options using the Black-Scholes valuation model. SFAS 123 (R) requires the Company to recognize expense over the service period for options that are expected to vest and record adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates. The Company recognizes stock-based compensation expense on a straight-line basis.

See Note 8 *Stock-Based Compensation Plans* for further information on stock-based compensation expense.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates and assumptions are adequate, actual results could differ from the estimates and assumptions used.

3. Stockholders Equity

In July 2007, the Board of Directors approved a stock repurchase program, authorizing the repurchase, at the discretion of our Company s senior executives, of our common stock for an aggregate dollar limit not to exceed $150 million. Pursuant to this stock repurchase program, during the third quarter of fiscal 2009, we purchased approximately 320,000 shares of our common stock at an average price of $14.50 per share for approximately $4.6 million. For the nine months ended February 28, 2009, we purchased approximately 712,000 shares of our common stock at an average price of $15.36 per share for approximately $10.9 million. As of February 28, 2009, approximately $37.0 million remains available under the repurchase program.

4. Net Income Per Share

The Company presents both basic and diluted earnings per share (EPS) amounts in accordance with SFAS No. 128, Earnings Per Share. This pronouncement establishes standards for the computation, presentation and disclosure requirements for EPS for entities with publicly held common shares and potential common shares. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the period, calculated using the treasury stock method for stock options. Under the treasury stock method, exercise proceeds include the amount the employee must pay for exercising stock options, the amount of compensation cost for future services that the Company has not yet recognized and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. Stock options for which the exercise price exceeds the average market price over the period are anti-dilutive and are excluded from the calculation.

The following table summarizes the calculation of net income per share for the periods indicated (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	February 28, 2009	February 23, 2008	February 28, 2009	February 23, 2008
Net income	$ 2,080	$ 8,665	$ 24,048	$ 33,283
Basic:				
Weighted average shares	44,976	45,616	45,002	48,399
Diluted:				
Weighted average shares	44,976	45,616	45,002	48,399
Potentially dilutive shares	414	931	758	1,553
Total dilutive shares	45,390	46,547	45,760	49,952
Net income per share:				
Basic	$ 0.05	$ 0.19	$ 0.53	$ 0.69
Diluted	$ 0.05	$ 0.19	$ 0.53	$ 0.67

The potentially dilutive shares presented above do not include the anti-dilutive effect of approximately 6,400,000 and 4,990,000 potential common shares for the three months ended February 28, 2009 and February 23, 2008, respectively and approximately 5,680,000 and 4,269,000 potential common shares for the nine months ended February 28, 2009 and February 23, 2008, respectively.

5. Acquisitions

On January 16, 2009, the Company acquired Limbus Holding B.V. (Limbus), a Netherlands based provider of risk and compliance and process improvement consultancy services to financial institutions and the public sector. The Company paid approximately $2.0 million for the acquisition, consisting of $1.0 million in cash and $1.0 million (68,459 shares) of the Company s treasury stock.

In accordance with SFAS No. 141, Business Combinations (SFAS 141), the Company will allocate the purchase price of Limbus based on the fair value of the assets acquired and liabilities assumed with the residual recorded as goodwill, pending completion of the Company s valuation study. The Company is considering a number of factors in performing this valuation, including the valuation of identifiable intangible assets. The goodwill and other intangibles recognized in this transaction are not deductible for tax purposes. Assuming Limbus had been acquired on May 26, 2007, the pro forma impact on the Company s revenue and net income would be insignificant for the nine months ended February 28, 2009 and February 23, 2008.

The purchase agreement for the acquisition of Limbus requires additional purchase price to be paid in fiscal year 2011 and 2012, provided certain revenue and gross margin milestones are met. Future payments will consist of a combination of cash and stock of up to 1.5 million Euros. Stock earned will be restricted and non-transferrable until December 31, 2012.

On December 1, 2008, the Company acquired Kompetensslussen X-tern Personalfunktion AB (Kompetensslussen), a Sweden based provider of human capital services. The Company paid approximately $1.0 million for the acquisition, consisting of $745,000 in cash and $274,000 (18,302 shares) of the Company s treasury stock.

In accordance with SFAS No. 141, the Company will allocate the purchase price of Kompetensslussen based on the fair value of the assets acquired and liabilities assumed with the residual recorded as goodwill, pending completion of the Company s valuation study. The Company is considering a number of factors in performing this valuation, including the valuation of identifiable intangible assets. The goodwill and other intangibles recognized in this transaction are not deductible for tax purposes. Assuming Kompetensslussen had been acquired on May 26, 2007, the pro forma impact on the Company s revenue and net income would be insignificant for the nine months ended February 28, 2009 and February 23, 2008.

The purchase agreement for the Kompetensslussen acquisition requires earn-out payments based on Kompetensslussen s achievement of certain financial results for calendar year 2010. The earn-out is two-tiered, subject to gross margin goals and payable equally in cash and stock of the Company. The first tier earn-out may be up to 8.0 million Swedish Krona (SEK) and the second tier earn-out may be up to 3.0 million SEK. If earned, payments are to be made no later than March 31, 2011.

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On December 18, 2007, the Company acquired Domenica B.V. (Domenica), a Netherlands based provider of actuarial services to pension and life insurance companies. Through February 28, 2009, the Company paid cash of approximately $23.6 million for the acquisition, including an earn-out payment of approximately $4.0 million in May 2008. In addition, a second earn-out payment, discussed below, is accrued as of the end of the third quarter of fiscal 2009.

The purchase agreement of Domenica required earn-out payments as follows: 1) for calendar year 2007, if Domenica s earnings before interest, income taxes, depreciation and amortization (EBITDA) exceeded 2.5 million Euros, then an amount equal to EBITDA less 400,000 Euros. In accordance with these terms, the first earn-out payment of approximately $4.0 million was made in the fourth quarter of fiscal 2008 and recorded as goodwill; 2) for calendar year 2008, if Domenica s EBITDA exceeded 2.5 million Euros, then an amount equal to EBITDA less 600,000 Euros. In accordance with these terms, the second earn-out payment of approximately $2.6 million was accrued in the third quarter of fiscal 2009 and recorded as goodwill.

In accordance with SFAS No. 141, the Company allocated the purchase price of Domenica based on the fair value of the assets acquired and liabilities assumed with the residual recorded as goodwill. The Company completed its purchase price allocation after considering a number of factors, including the valuation of the identifiable intangible assets. The total intangible assets acquired include approximately $15.6 million for goodwill, $6.2 million for customer relationships (amortized over seven years) and $556,000 for a database of potential consultants (amortized over five years). The goodwill and other intangibles recognized in this transaction are not deductible for tax purposes.

6. Intangible Assets and Goodwill

The following table presents details of our intangible assets, estimated lives and related accumulated amortization (amounts in thousands):

	As of February 28, 2009			As of May 31, 2008		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer relationships (2 7 years)	$ 11,509	$ (6,414)	$ 5,095	$ 12,735	$ (5,761)	$ 6,974
Consultant and customer database (1 5 years)	2,259	(1,897)	362	2,366	(1,778)	588
Trade name and trademark (indefinite life)	82		82	82		82
Total	$ 13,850	$ (8,311)	$ 5,539	$ 15,183	$ (7,539)	$ 7,644

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill and other intangible assets with indeterminate lives are not subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired. Intangible assets with finite lives continue to be subject to amortization, and any impairment is determined in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. There were no indicators of impairment as of February 28, 2009.

The Company recorded amortization expense of $271,000 and $211,000 for the three months ended February 28, 2009 and February 23, 2008, respectively, and $928,000 and $549,000 for the nine months ended February 28, 2009 and February 23, 2008, respectively. Estimated intangible asset amortization expense (based on existing intangible assets) for the years ending May 30, 2009, May 29, 2010, May 28, 2011, May 26, 2012 and May 31, 2013 is $1.2 million, $1.2 million, $1.2 million, $1.1 million and $1.0 million, respectively. These estimates do not incorporate the impact that currency fluctuations may cause when translating the financial results of our international operations that have amortizable intangible assets into U.S. dollars nor do they incorporate an estimate of the amortization related to the valuation studies yet to be completed related to the acquisitions of Limbus and Kompetensslussen.

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7. Segment Reporting

In accordance with the requirements of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, the Company discloses information regarding operations outside of the U.S. The Company operates in one segment. The accounting policies for the domestic and international operations are the same as those described in Note 2-*Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in the Company s 2008 Annual Report on Form 10-K for the fiscal year ended May 31, 2008. Summarized financial information regarding the Company s domestic and international operations is shown in the following table (amounts in thousands):

	Revenue for the Three Months Ended		Revenue for the Nine Months Ended		Long-Lived Assets as of	
	February 28, 2009	**February 23, 2008**	**February 28, 2009**	**February 23, 2008**	**February 28, 2009 (1)**	**May 31, 2008 (1)**
United States	$ 111,658	$ 146,999	$ 392,214	$ 443,868	$ 115,981	$ 113,598
The Netherlands	17,646	22,612	62,416	58,505	28,610	35,384
Other	26,685	33,192	98,897	101,188	5,469	6,324
Total	$ 155,989	$ 202,803	$ 553,527	$ 603,561	$ 150,060	$ 155,306

(1) Long-lived assets are comprised of goodwill, intangible assets, building and land, computers, equipment, software, furniture, leasehold improvements and construction in progress.

8. Stock-Based Compensation Plans

Stock Options and Restricted Stock

As of February 28, 2009, the Company had outstanding grants under the following share-based compensation plans:

2004 Performance Incentive Plan (2004 Plan) The 2004 Plan serves as the successor to the 1999 Long Term Incentive Plan (1999 Plan). A total of 7,500,000 new shares of common stock were made available for awards to employees and non-employee directors, including 2,000,000 additional shares following an amendment to the 2004 Plan approved by our stockholders on October 17, 2008. Awards under the 2004 Plan may include, but are not limited to, stock options and restricted stock grants. Stock options generally vest in equal annual installments over four years and terminate ten years from the dates of grant. Restricted stock award vesting is determined on an individual grant basis. As of February 28, 2009, 2,144,000 shares were available for future award grants under the 2004 Plan.

The 1999 Plan was terminated in 2004, except as to the outstanding options. Such options vest in equal annual installments over four years and terminate ten years from the dates of grant. Outstanding awards under the 1999 Plan that expire or terminate without having become vested or exercised rollover to the 2004 Plan.

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The following table summarizes the stock option activity for the nine months ended February 28, 2009 (number of options and intrinsic value in thousands):

	Number of Shares Subject to Options		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value
Outstanding at May 31, 2008	8,472	$	21.41	6.98	$	27,978
Granted, at fair market value	1,533	$	15.78			
Exercised	(392)	$	12.24			
Forfeited	(650)	$	26.22			
Outstanding at February 28, 2009	8,963	$	20.50	6.86	$	4,616
Exercisable at February 28, 2009	5,402	$	20.17	5.47	$	4,616

Stock-Based Compensation Expense

The Company s income before income taxes included compensation expense for the three months ended February 28, 2009 and February 23, 2008 of $4.2 million and $6.1 million, respectively, and for the nine months ended February 28, 2009 and February 23, 2008 of $13.8 million and $17.3 million, respectively, related to stock-based compensation arrangements (including employee stock options, restricted stock grants and employee stock purchases made via the ESPP). There were no capitalized share-based compensation costs for the three and nine months ended February 28, 2009 and February 23, 2008.

Excess tax benefits resulting from the exercise of stock options are reflected as financing cash flows in the Company s statements of cash flows. For the nine months ended February 28, 2009 and February 23, 2008, excess tax benefits totaled $392,000 and $2.2 million, respectively.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, which is the difference between the Company s closing stock price on the last trading day of the third quarter of fiscal 2009 and the exercise price times the number of shares that would have been received by the option holders if they had exercised their in the money options on February 28, 2009. This amount will change based on the fair market value of the Company s common stock. The aggregate intrinsic value of stock options exercised for the nine months ended February 28, 2009 and February 23, 2008 was $3.5 million and $17.2 million, respectively. As of February 28, 2009, there was $31.0 million of unrecognized compensation cost related to stock-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 31 months.

Net cash proceeds from stock option exercises and issuance of common stock under the ESPP for the nine months ended February 28, 2009 and February 23, 2008 were $12.8 million and $20.3 million, respectively. The Company s policy is to issue shares from its authorized shares upon the exercise of stock options.

Employee Stock Purchase Plan

The Company s stockholders approved the ESPP in October 2000. Under the terms of the ESPP, as amended on October 17, 2008, a total of 4,400,000 shares of common stock may be issued. The ESPP allows for qualified employees (as defined in the ESPP) to participate in the purchase of designated shares of the Company s common stock at a price equal to 85% of the lesser of the fair market value of common stock at the beginning or end of each semi-annual stock purchase period. The Company issued 545,000 and 405,000 shares of common stock pursuant to this plan for the nine months ended February 28, 2009 and the year ended May 31, 2008, respectively. There were 2,362,000 shares of common stock available for issuance under the ESPP as of February 28, 2009.

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9. Recently Adopted Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. The Company s adoption of SFAS No. 157 on June 1, 2008, except as it applies to those non-financial assets and liabilities affected by the one-year delay, did not have a material impact on the Company s consolidated financial statements. The Company does not expect the adoption of SFAS 157 related to any non-financial assets and liabilities to have a material impact on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159) including an amendment of SFAS No. 115. This statement provides companies with an option to report selected financial assets and liabilities at fair value. This statement is effective for fiscal years beginning after November 15, 2007. The Company adopted this statement effective June 1, 2008 and it did not have a material impact on its financial position or results of operations.

10. Recent Accounting Pronouncements

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. The statement is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are prepared in conformance with generally accepted accounting principles. The statement is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity with GAAP, and is not expected to have any impact on the Company s results of operations, financial condition or liquidity.

In April 2008, the FASB issued FSP FAS No. 142-3, which amends the factors that must be considered in developing renewal or extension assumptions used to determine the useful life over which to amortize the cost of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). The FSP requires an entity to consider its own assumptions about renewal or extension of the term of the arrangement, consistent with its expected use of the asset, and is an attempt to improve consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141, Business Combinations. The FSP is effective commencing with our 2010 fiscal year and the guidance for determining the useful life of a recognized intangible asset must be applied prospectively to intangible assets acquired after the effective date. The FSP is not expected to have a significant impact on the Company s results of operations, financial condition or liquidity.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51 (SFAS 160). SFAS 160 requires (a) that noncontrolling (minority) interest be reported as a component of shareholders equity; (b) that net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated statement of operations; (c) that changes in a parent s ownership interest while the parent retains its controlling interest be accounted for as equity transactions; (d) that any retained noncontrolling equity investment upon the deconsolidation of the subsidiary be initially measured at fair value; and (e) that sufficient disclosures are provided that clearly identify and distinguish between the interest of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company currently has no noncontrolling interests that would require application of the pronouncement at the date of required implementation.

In December 2007, the FASB issued SFAS No. 141(revised 2007), Business Combinations (SFAS 141(R)). SFAS 141(R) will significantly change how business combinations are accounted for and will be effective for business combinations the Company consummates on May 31, 2009 and thereafter. Under SFAS 141(R), an acquiring entity will be required to recognize, with limited exceptions, all the assets acquired and liabilities assumed in a transaction at their fair value on the acquisition date. SFAS 141(R) will change the accounting treatment for certain specific acquisition-related items including, among other items: (1) expensing acquisition-related costs as incurred, (2) valuing noncontrolling interests at fair value at the acquisition date, (3) expensing restructuring costs associated with an acquired business, and (4) goodwill. SFAS 141(R) also includes a substantial number of new disclosure requirements to enable the evaluation of the nature and financial effects of the business combination.

11. Supplemental Cash Flow Information

The Consolidated Statements of Cash Flows for the nine months ended February 28, 2009 does not include under the caption cash flows from investing activities the non-cash issuance of 18,302 shares of the Company s common stock held in treasury, representing $274,000 of the approximately $1.0 million purchase price for the Kompetensslussen acquisition.

The Consolidated Statements of Cash Flows for the nine months ended February 28, 2009 does not include under the caption cash flows from investing activities the non-cash issuance of 68,459 shares of the Company s common stock held in treasury, representing $986,000 of the approximately $2.0 million purchase price for the Limbus acquisition.

The Consolidated Statements of Cash Flows for the nine months ended February 23, 2008 does not include under the caption cash flows from investing activities the non-cash issuance of 66,715 shares of the Company s common stock held in treasury, representing $2.2 million of the $8.2 million purchase price for the Compliance Solutions acquisition.

The Consolidated Statements of Cash Flows for the nine months ended February 23, 2008 does not include under the caption cash flows from financing activities the non-cash cancellation of 10,000 shares of the Company s common stock that had been classified as treasury stock. In accordance with the amendment to the Company s 2004 Performance Incentive Plan, the Company is unable to reissue these shares at a future date.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes. This discussion and analysis contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to expectations concerning matters that are not historical facts. Such forward-looking statements may be identified by words such as anticipates, believes, can, continue, could, estimates, expects, intends, may, plans, potential, predicts, should, or will terms or other comparable terminology. These statements, and all phases of our operations, are subject to known and unknown risks, uncertainties and other factors, some of which are identified in Part II Item 1A Risk Factors below and in our report on Form 10-K for the year ended May 31, 2008 (File No. 0-32113). Readers are cautioned not to place undue reliance on these forward-looking statements. Our actual results, levels of activity, performance or achievements and those of our industry may be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to update the forward-looking statements in this filing. References in this filing to Resources Connection, Resources Global Professionals, Resources Global, the Company, we, us, and our refer to Resources Connection, Inc subsidiaries.

Overview

Resources Global is an international professional services firm that provides experienced finance, accounting, risk management and internal audit, information management, human capital, supply chain management, actuarial and legal services professionals in support of client-led projects and initiatives. We assist our clients with discrete projects requiring specialized expertise in:

- finance and accounting services, such as mergers and acquisitions due diligence, initial public offering assistance and assistance in the preparation or restatement of financial statements, financial analyses (e.g., product costing and margin analyses), corporate reorganizations, budgeting and forecasting, audit preparation, public entity reporting and tax-related projects;

- information management services, such as financial system/enterprise resource planning implementation and post implementation optimization;

- human capital services, such as change management and compensation program design and implementation;

- risk management and internal audit services (provided via our subsidiary Resources Audit Solutions), including compliance reviews, internal audit co-sourcing and assisting clients with their compliance efforts under the Sarbanes-Oxley Act of 2002 (Sarbanes);

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supply chain management services, such as leading strategic sourcing efforts, contract negotiations and purchasing strategy;

actuarial services, such as for pension and life insurance companies; and

legal services such as providing attorneys, paralegals and contract managers to assist clients (including law firms) with project-based or peak period needs.

We were founded in June 1996 as a division of Deloitte & Touche and operated as Resources Connection, LLC, a wholly owned subsidiary of Deloitte & Touche, from January 1997 until April 1999. In November 1998, our management formed RC Transaction Corp., renamed Resources Connection, Inc., to raise capital for an intended management-led buyout. In April 1999, we completed the management-led buyout in partnership with several investors. In December 2000, we completed our initial public offering of common stock and began trading on the NASDAQ. We currently trade on the NASDAQ Global Select Market. In January 2005, we announced the change of our operating entity name to Resources Global Professionals to better reflect the Company s international capabilities. We operated solely in the United States until fiscal year 2000, when we began to expand geographically to meet the demand for project professional services across the world and opened our first three international offices. Our most significant international transaction was the acquisition of our Netherlands practice in fiscal year 2004. As of February 28, 2009, the Company served clients through 56 offices in the United States and 33 offices abroad.

Critical Accounting Policies

The following discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The following represents a summary of our critical accounting policies, defined as those policies that we believe: (a) are the most important to the portrayal of our financial condition and results of operations and (b) involve inherently uncertain issues that require management s most difficult, subjective or complex judgments.

Valuation of long-lived assets We assess the potential impairment of long-lived tangible and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Under the current accounting standard, our goodwill and certain other intangible assets are not subject to periodic amortization. These assets are now considered to have an indefinite life and their carrying values are required to be assessed by us for impairment at least annually. Depending on future market values of our stock, our operating performance and other factors, these assessments could potentially result in impairment reductions of these intangible assets in the future and this adjustment could materially affect the Company s future financial results.

Allowance for doubtful accounts We maintain an allowance for doubtful accounts for estimated losses resulting from our clients failing to make required payments for services rendered. We estimate this allowance based upon our knowledge of the financial condition of our clients, review of historical receivable and reserve trends and other pertinent information. While such losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of our clients could cause unfavorable trends in receivable collections and additional allowances may be required. These additional allowances could materially affect the Company s future financial results.

Income taxes In order to prepare our consolidated financial statements, we are required to make estimates of income taxes, if applicable, in each jurisdiction in which we operate. The process incorporates an assessment of any current tax exposure together with temporary differences resulting from different treatment of transactions for tax and financial statement purposes. These differences result in deferred tax assets and liabilities that are included in our Consolidated Balance Sheets. The recovery of deferred tax assets from future taxable income must be assessed and, to the extent recovery is not likely, we will establish a valuation allowance. An increase in the valuation allowance results in recording additional tax expense and any such adjustment may materially affect the Company s future financial results. If the ultimate tax liability differs from the amount of tax expense we have reflected in the Consolidated Statements of Income, an adjustment of tax expense may need to be recorded and this adjustment could materially affect the Company s future financial results.

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Revenue recognition We primarily charge our clients on an hourly basis for the professional services of our consultants. We recognize revenue once services have been rendered and invoice the majority of our clients in the United States on a weekly basis. Some of our clients served by our international operations are billed on a monthly basis. Our clients are contractually obligated to pay us for all hours billed. To a much lesser extent, we also earn revenue if a client hires one of our consultants. This type of contractually non-refundable revenue is recognized at the time our client completes the hiring process.

Stock-based Compensation Under our 2004 Performance Incentive Plan, officers, employees and outside directors have received or may receive grants of restricted stock, stock units, options to purchase common stock or other stock or stock-based awards. Under our Employee Stock Purchase Plan (ESPP), eligible officers and employees may purchase our common stock in accordance with the terms of the plan. Effective May 28, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised), Share-Based Payment (SFAS 123 (R)). SFAS 123 (R) requires that the Company estimate the value of employee stock options on the date of grant using an option-pricing model. We have elected to use the Black-Scholes option-pricing model which takes into account assumptions regarding a number of highly complex and subjective variables. These variables include the expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors. Additional variables to be considered are the expected term and risk-free interest rate over the expected term of our employee stock options. In addition, because stock-based compensation expense recognized in the Statement of Income is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123 (R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience. If facts and circumstances change and we employ different assumptions in the application of SFAS 123 (R) in future periods, the compensation expense recorded under SFAS 123 (R) may differ materially from the amount recorded in the current period.

The weighted average estimated value per share of employee stock options granted during the three months ended February 28, 2009 was $5.97 using the Black-Scholes model with the following assumptions:

	Three months ended February 28, 2009
Expected volatility	40.6 to 43.6%
Risk-free interest rate	1.72% 1.89%
Expected dividends	0.0%
Expected life	5.1 to 6.7 years

The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on our previous history of not paying dividends and our expectation that the special dividend paid in August 2007 was an isolated event and not the commencement of a regular dividend. The Company s historical expected life of stock option grants this quarter is approximately 5.1 years for non-officers and 6.7 for officers. As permitted under Staff Accounting Bulletin No. 107 (SAB No. 107), the Company uses its historical volatility over the expected life of the stock option award to estimate the expected volatility of the price of its common stock.

We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Three Months Ended February 28, 2009 Compared to Three Months Ended February 23, 2008

Computations of percentage change period over period are based upon our results, as rounded and presented herein.

Revenue. Revenue decreased $46.8 million, or 23.1%, to $156.0 million for the three months ended February 28, 2009 from $202.8 million for the three months ended February 23, 2008. Our revenue was adversely affected by a decline in the number of hours worked by our consultants as well as a decrease in the average bill rate per hour in comparison to the prior year comparable quarter. We believe the primary cause of the decrease in hours worked by our consultants is the result of client uncertainties about the global economic environment which is causing our clients to approach their business more cautiously and either defer, downsize or eliminate projects. The number of consultants on assignment at the end of the third quarter of fiscal 2009 was 2,363 compared to the 3,272 assigned at the end of the third quarter of fiscal 2008. The number of hours worked in the third quarter of fiscal 2009 declined about 21.1% from the prior year s third quarter, while average bill rates fell by 2.6% compared to the same period in the prior year. Although we believe we have improved the awareness of our service offerings since our founding in 1996 with clients and prospective clients through our work (including Sarbanes or related internal accounting control services), and that the significant changes taking place in the capital markets may present new opportunities going forward, there can be no assurance about the timing of such opportunities or whether we can successfully capitalize on them, especially given the current uncertain economic climate in the United States and international markets. In addition, our clients do not sign long-term contracts with us. As such, there can be no assurance as to future demand levels for the services we provide or that future results can be reliably predicted by considering past trends.

On a constant currency basis, international revenues would have been higher by $6.1 million in the third quarter of fiscal 2009 but lower by $4.3 million in the third quarter of fiscal 2008, using the comparable fiscal 2008 and fiscal 2007 conversion rates. The Company operated 89 offices during both the third quarters of fiscal 2009 and fiscal 2008.

Revenue for the Company s major practice areas across the globe consisted of the following (in thousands):

	Revenue for the Three Months Ended			% of Total	
	February 28, 2009	**February 23, 2008**	**% Change**	**February 28, 2009**	**February 23, 2008**
North America	$ 114,726	$ 150,919	(24.0%)	73.5%	74.4%
Europe	33,305	42,808	(22.2%)	21.4%	21.1%
Asia Pacific	7,958	9,076	(12.3%)	5.1%	4.5%
Total	$ 155,989	$ 202,803	(23.1%)	100.0%	100.0%

Direct Cost of Services. Direct cost of services decreased $29.3 million, or 23.0%, to $98.0 million for the three months ended February 28, 2009 from $127.3 million for the three months ended February 23, 2008. Direct cost of services decreased for similar reasons to revenue: a decrease in hours worked and a 3.2% decrease in our consultant s average pay rate. The direct cost of services as a percentage of revenue (the direct cost of services percentage) was essentially flat at 62.8% for both the three months ended February 28, 2009 and February 23, 2008.

The cost of compensation and related benefits offered to the consultants of our international offices has been greater as a percentage of revenue than our domestic operations. In addition, international offices use independent contractors more extensively. Thus, the direct cost of services percentage of our international offices has usually exceeded our domestic operation s targeted direct cost of services percentage of 60%.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (S, G & A) as a percentage of revenue was 32.6% and 28.4% for the quarters ended February 28, 2009 and February 23, 2008, respectively. S, G &A decreased $6.7 million, or 11.7%, to $50.8 million for the three months ended February 28, 2009 from $57.5 million for the three months ended February 23, 2008. Management and administrative headcount decreased from 887 at the end of the third quarter of fiscal 2008 to 848 at the end of the third quarter of fiscal 2009. S, G & A decreases in the third quarter of fiscal 2009 included: a reduction in recruiting and related expenses, salary, benefit and related costs and in stock based compensation expense. These decreases were partially offset by an increase of $543,000 in the Company s allowance for doubtful accounts after an evaluation of the Company s client base, receivable balances and the current economic environment.

Subsequent to the third quarter of fiscal 2009, the Company announced a reduction in headcount and the closure of seven offices whose clients could be served from other offices within a close proximity. These actions will cost approximately $3.4 million, related to severance costs, leasehold improvement write-offs and estimated lease termination accruals to be recognized in the fourth quarter of fiscal 2009.

Amortization and Depreciation Expense. Amortization of intangible assets increased to $271,000 in the third quarter of fiscal 2009 compared to $211,000 in the prior year s third quarter as a result of amortization related to identifiable intangibles assets of the Compliance Solutions (UK) Ltd. and Domenica acquisitions made in fiscal 2008. Based upon identified intangible assets recorded at February 28, 2009 (including those that will be fully amortized during fiscal 2009), the Company anticipates amortization expense related to identified intangible assets to be approximately $1.2 million during the fiscal year ending May 30, 2009.

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Depreciation expense remained relatively unchanged at $2.2 million for the three months ended February 28, 2009 and February 23, 2008. The consistency in depreciation is attributable to the Company operating the same number of offices in fiscal 2009 and 2008.

Interest Income. Interest income was $458,000 in the third quarter of fiscal 2009 compared to $952,000 in the third quarter of fiscal 2008. The decrease in interest income in the third quarter of fiscal 2009 is primarily the result of declining interest rates as compared to the prior year s third quarter.

Currently, the Company has invested available cash primarily in a prime institutional money market fund, short-term United States government-bonds, certificates of deposit and, to a lesser extent, A1+ rated commercial paper that has been classified as cash equivalents due to the short maturities of these investments. As of February 28, 2009, the Company had $25.0 million of investments in commercial paper with original maturity dates between three and six months from the purchase date, which are classified as short-term investments and considered held-to-maturity securities.

Income Taxes. The provision for income taxes decreased from $7.9 million for the three months ended February 23, 2008 to $3.1 million for the three months ended February 28, 2009. The provision decreased primarily because of a decrease in the Company s pretax income in the third quarter of 2009 compared to the third quarter of fiscal 2008. The effective tax rate was 60.0% for the third quarter of fiscal 2009 and 47.7% for the third quarter of fiscal 2008. The effective tax rate increased because the Company s lower pre-tax income disproportionally magnifies the effect of ISOs and other non-deductible permanent differences on the Company s effective rate. The proportion of expense related to non-qualified stock option grants (for which the Company may recognize a tax benefit in the same quarter as the related compensation expense in most instances) increased during the third quarter of fiscal 2009 as compared to expense related to incentive stock options (ISOs).

Under SFAS 123 (R), the Company cannot recognize a tax benefit for certain ISOs unless and until the holder exercises his or her option and then sells the shares within a certain period of time. In addition, the Company can only recognize a potential tax benefit for employees acquisition and subsequent sale of shares purchased through the ESPP if the sale occurs within a certain defined period. As a result, the Company s provision for income taxes is likely to fluctuate from historical rates for the foreseeable future. Further, under SFAS 123 (R), those tax benefits associated with ISO grants fully vested at the date of adoption of SFAS 123 (R) will be recognized as additions to paid-in capital when and if those options are exercised and not as a reduction to the Company s tax provision. The Company recognized a benefit of approximately $984,000 and $1.2 million related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the third quarter of fiscal 2009 and 2008, respectively. The timing and amount of eligible disqualifying ISO exercises cannot be predicted. The Company predominantly grants nonqualified stock options to employees in the United States.

Periodically, the Company reviews the components of both book and taxable income to analyze the adequacy of the tax provision. There can be no assurance, particularly because of the unpredictability of timing and amount of eligible disqualifying ISO exercises, that the Company s effective tax rate will not increase in the future.

Nine Months Ended February 28, 2009 Compared to Nine Months Ended February 23, 2008

Computations of percentage change period over period are based upon our results, as rounded and presented herein.

Revenue. Revenue decreased $50.1 million, or 8.3%, to $553.5 million for the nine months ended February 28, 2009 from $603.6 million for the nine months ended February 23, 2008. Although our average bill rate per hour increased slightly year over year and we benefited from incremental revenue from the December 2007 acquisition of Domenica B.V., our revenue was adversely affected by a decline in number of hours worked by our consultants in comparison to the prior year nine month period. On a constant currency basis, international revenues would have been higher by approximately $5.6 million for the nine months ended February 28, 2009 if we had translated our international results using the comparable fiscal 2008 conversion rates; this compares to an approximate decrease of $11.5 million in revenue for the nine months ended February 23, 2008 using the comparable fiscal 2007 conversion rates.

Average bill rates for the nine months ended February 28, 2009 improved by 1.8% from the same period in the prior year. However, the number of consultants on assignment at the end of the third quarter of fiscal 2009 of 2,363 was less than the 3,272 at the end of the third quarter of fiscal 2008 and the number of hours worked in the first three quarters of fiscal 2009 declined about 10.4% from the same period in the prior fiscal year.

Revenue for the Company s major practice areas across the globe consisted of the following (in thousands):

	Revenue for the Nine Months Ended February 28, 2009	Revenue for the Nine Months Ended February 23, 2008	% Change	% of Total February 28, 2009	% of Total February 23, 2008
North America	$ 402,846	$ 455,032	(11.5%)	72.8%	75.4%
Europe	121,085	120,805	0.2%	21.9%	20.0%
Asia Pacific	29,596	27,724	6.8%	5.3%	4.6%
Total	$ 553,527	$ 603,561	(8.3%)	100.0%	100.0%

Direct Cost of Services. Direct cost of services decreased $34.3 million, or 9.1%, to $340.6 million for the nine months ended February 28, 2009 from $374.9 million for the nine months ended February 23, 2008. Although our consultants average pay rates were flat in the first three quarters of fiscal 2009 compared to the same period in fiscal 2008, direct cost of services decreased due to a reduction in hours worked. The direct cost of services as a percentage of revenue (the direct cost of services percentage) was 61.5% and 62.1% for the nine months ended February 28, 2009 and February 23, 2008, respectively. The direct cost of services percentage improved in fiscal 2009 primarily because of an improvement in the ratio of hourly revenue to consultant salary expense.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (S, G & A) as a percentage of revenue was 29.2% and 27.5% for the nine months ended February 28, 2009 and February 23, 2008, respectively. S, G &A decreased $4.4 million, or 2.6%, to $161.7 million for the nine months ended February 28, 2009 from $166.1 million for the nine months ended February 23, 2008. The change in S, G & A primarily stems from: a decrease in stock-based compensation expense of $3.4 million resulting from a reduction in our stock price and in the number of options granted; a decrease in bonus related accruals of $1.1 million; and a decrease of approximately $1.4 million in marketing and recruiting expenses; partially offset by an increase of $1.8 million in the Company s allowance for doubtful accounts after an evaluation of the Company s client base receivable balances and the current economic environment; and occupancy and related costs from relocated or expanded offices.

Amortization and Depreciation Expense. Amortization of intangible assets increased to $928,000 in the first nine months of fiscal 2009 compared to $549,000 in the prior year s first nine months as a result of two acquisitions made in fiscal 2008. The Company completed its valuation study during fiscal 2008 of its June 2007 purchase of Compliance Solutions (UK) Ltd. and its December 2007 purchase of Domenica.

Depreciation expense increased from $6.1 million for the nine months ended February 23, 2008 to $6.8 million for the nine months ended February 28, 2009. The increase in depreciation was related to a slightly higher asset base due to the recent acquisitions, investments made in offices relocated or expanded since May 2007 and investments in the Company s operating systems and other information technology.

Interest Income. Interest income was $1.4 million in the nine months ended February 28, 2009 compared to $5.1 million for the nine months ended February 23, 2008. The decrease in interest income is the result of declining interest rates as compared to the prior year s same period.

Income Taxes. The provision for income taxes decreased from $27.8 million for the nine months ended February 23, 2008 to $20.8 million for the nine months ended February 28, 2009. The provision decreased primarily because of a decrease in the Company s pretax income in the first nine months of fiscal 2009 compared to the first nine months of fiscal 2008. The effective tax rate was 46.3% for the nine months ended February 28, 2009 and 45.5% for the nine months ended February 23, 2008.

Comparability of Quarterly Results. Our quarterly results have fluctuated in the past and we believe they will continue to do so in the future. Certain factors that could affect our quarterly operating results are described in Part II, Item 1A-Risk Factors. Due to these and other factors, we believe that quarter-to-quarter comparisons of our results of operations may not be meaningful indicators of future performance.

Liquidity and Capital Resources

Our primary source of liquidity is cash provided by our operations. On an annual basis, we have generated positive cash flows from operations since inception.

The Company has a $3.0 million unsecured revolving credit facility with Bank of America (the Credit Agreement). The Credit Agreement allows the Company to choose the interest rate applicable to advances. The interest rate options are Bank of America s prime rate, a London Inter-Bank Offered (LIBOR) rate plus 1.5% or Bank of America s Grand Cayman Banking Center (IBOR) rate plus 1.5%. Interest, if any, is payable monthly. There is an annual facility fee of 0.25% payable on the unutilized portion of the Credit Agreement. The Credit Agreement expires December 1, 2009. As of February 28, 2009, the Company had $2.4 million available under the terms of the Credit Agreement as Bank of America has issued $600,000 of outstanding letters of credit in favor of third parties related to operating leases. As of February 28, 2009, the Company was in compliance with all covenants included in the Credit Agreement.

Net cash provided by operating activities was $47.7 million for the nine months ended February 28, 2009 compared to $27.1 million for the nine months ended February 23, 2008. Cash provided by operations in the first nine months of fiscal 2009 resulted from net income of $24.0 million, increased by non-cash items of $19.7 million, plus net cash provided by changes in operating assets and liabilities of $4.0 million. In the first nine months of fiscal 2008, cash provided by operations resulted from net income of $33.3 million, increased by non-cash items of $17.4 million, less net cash used by changes in operating assets and liabilities of $23.6 million. The most significant cause of the favorable change in operating assets and liabilities from fiscal 2008 to fiscal 2009 was the decrease in accounts receivable during the first nine months of fiscal 2009 (more cash collected than revenue generated during the period). Non-cash items include expense for stock-based compensation; these charges do not reflect an actual cash outflow from the Company but are an estimate of the fair value of the services provided by employees and directors in exchange for stock option grants and purchase of stock through the Company s ESPP. As of February 28, 2009, the Company had $121.0 million of cash and cash equivalents and $25.0 million of investments in A1+ rated commercial paper.

Net cash used by investing activities was $6.0 million for the first nine months of fiscal 2009 compared to net cash provided by investing activities of $51.5 million in the first nine months of fiscal 2008. The Company spent approximately $3.8 million less on property and equipment in the first nine months of fiscal 2009 compared to the first nine months of fiscal 2008. Cash received from the redemption of short-term investments (commercial paper and government agency bonds), net of cash used to purchase short-term investments, resulted in a net source of $1.0 million in the first nine months of fiscal 2009 compared to a net source from the redemption of short and long-term investments of $84.0 million in the first nine months of fiscal 2008. In addition, in the first nine months of fiscal 2008, the Company used $6.0 million in cash in connection with its acquisition of Compliance Solutions (UK) Ltd, a United Kingdom-based provider of regulatory compliance services, and $17.3 million in connection with its acquisition of Domenica, a Netherlands-based provider of actuarial services to pension and life insurance companies. In fiscal 2009, the Company used $689,000 for its acquisitions of Kompetensslussen, a Sweden-based provider of human capital services, and $883,000 for its acquisition of Limbus, a Netherlands-based provider of risk and compliance and process improvement consultancy services.

Net cash provided by financing activities totaled $2.3 million for the first nine months ended February 28, 2009, compared to a use of cash of $119.2 million for the nine months ended February 23, 2008. The primary cause of the change between the two periods was the payment by the Company in August 2007 of a special cash dividend of $1.25 per share of common stock for an aggregate amount of approximately $60.7 million. No dividend was paid in the first nine months of fiscal 2009. In addition, the Company also used cash during the nine months ended February 23, 2008 to purchase approximately 3.7 million shares of the Company s common stock for approximately $81.1 million while the Company purchased approximately 712,000 shares for approximately $10.9 million in the first nine months of fiscal 2009. In the first nine months of fiscal 2009, the Company received cash from stock option exercises and purchases of common stock through the ESPP of $12.8 million compared to $20.3 million in the corresponding period of fiscal 2008.

Our ongoing operations and potential growth in the geographic markets we currently serve will require us to continue to make investments in capital equipment, primarily leasehold improvements and technology hardware and software.

In addition, we may consider making strategic acquisitions. We anticipate that our current cash and the ongoing cash flows from our operations will be adequate to meet our working capital and capital expenditure needs for at least the next 12 months. If we require additional capital resources to grow our business, either internally or through acquisition, we may seek to sell additional equity securities or to secure debt financing. The sale of additional equity securities or certain forms of debt financing could result in dilution to our stockholders. We may not be able to obtain financing arrangements in amounts or on terms acceptable to us in the future. In the event we are unable to obtain additional financing when needed, we may be compelled to delay or curtail our plans to develop our business, which could have a material adverse effect on our operations, market position and competitiveness.

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Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is contained in Note 10 to the Consolidated Financial Statements for the nine months ended February 28, 2009 and February 23, 2008.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. At February 28, 2009, we had approximately $146.0 million of cash and cash equivalents and short-term investments. Securities that the Company has the ability and positive intent to hold to maturity are carried at amortized cost. These securities consist of commercial paper and government-agency bonds. Cost approximates market for these securities. The earnings on these investments are subject to changes in interest rates; however, assuming a constant balance available for investment, a 10% decline in interest rates would reduce our interest income but would not have a material impact on our consolidated financial position or results of operation.

Foreign Currency Exchange Rate Risk. For the quarter ended February 28, 2009, approximately 28.4% of the Company s revenues were generated outside of the United States. As a result, our operating results are subject to fluctuations in the exchange rates of foreign currencies in relation to the United States dollar. Revenues and expenses denominated in foreign currencies are translated into United States dollars at the monthly average exchange rates during the period. Thus, as the value of the United States dollar fluctuates relative to the currencies in our non-U.S. based operations, our reported results may vary.

Assets and liabilities of our non-U.S. based operations are translated into United States dollars at the exchange rate effective at the end of each monthly reporting period. Approximately 79.7% of our balances of cash, cash equivalents and short-term investments as of February 28, 2009 were denominated in U.S. dollars. The remainder of our cash was comprised primarily of cash balances translated from Euros, Japanese Yen, Hong Kong Dollars or British Pound Sterling. The difference resulting from the translation each period of assets and liabilities of our non-U.S. based operations are recorded in stockholders equity as a component of accumulated other comprehensive gains.

Although we intend to monitor our exposure to foreign currency fluctuations, we do not currently use financial hedging techniques to mitigate risks associated with foreign currency fluctuations and we cannot assure you that exchange rate fluctuations will not adversely affect our financial results in the future.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended (the Exchange Act), the Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of February 28, 2009. Based on that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of February 28, 2009. There was no change in the Company s internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act, during the Company s quarter ended February 28, 2009 that materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material legal proceedings.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2008, which was filed with the Securities and Exchange Commission on July 30, 2008. For convenience, our updated risk factors are included below in this Item 1A. The order in which the risks appear is not intended as an indication of their relative weight or importance.

We must provide our clients with highly qualified and experienced consultants, and the loss of a significant number of our consultants, or an inability to attract and retain new consultants, could adversely affect our business and operating results.

Our business involves the delivery of professional services, and our success depends on our ability to provide our clients with highly qualified and experienced consultants who possess the skills and experience necessary to satisfy their needs. Such professionals are in great demand, particularly in certain geographic areas, and are likely to remain a limited resource for the foreseeable future. Our ability to attract and retain consultants with the requisite experience and skills depends on several factors including, but not limited to, our ability to:

- provide our consultants with either full-time or flexible-time employment;
- obtain the type of challenging and high-quality projects that our consultants seek;
- pay competitive compensation and provide competitive benefits; and
- provide our consultants with flexibility as to hours worked and assignment of client engagements.

We cannot assure you that we will be successful in accomplishing any of these factors and, even if we are, that we will be successful in attracting and retaining the number of highly qualified and experienced consultants necessary to maintain and grow our business.

Decreased effectiveness of equity compensation could adversely affect our ability to attract and retain employees.

We have historically used stock options as a key component of our employee compensation program in order to align employees interests with the interests of our stockholders, encourage employee retention and provide competitive compensation packages. As a result of our adoption of Statement of Financial Accounting Standards No. 123 (revised), Share-Based Payment (SFAS 123(R)) in the first quarter of fiscal 2007, the use of stock options and other stock-based awards to attract and retain employees has become more limited due to the possible impact on our results of operations. This development could make it more difficult to attract, retain and motivate employees.

Until our shareholders approved an increase of two million shares to our 2004 Performance Incentive Plan, we had a limited number of options remaining in our plan available to grant to employees and, consequently, we significantly reduced the amount of stock options granted to incumbent employees during fiscal 2008. In addition, many of our options outstanding are currently priced at less than the per share market valuation of our stock, further reducing existing option grants as an incentive to retain employees.

The market for professional services is highly competitive, and if we are unable to compete effectively against our competitors, our business and operating results could be adversely affected.

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We operate in a competitive, fragmented market, and we compete for clients and consultants with a variety of organizations that offer similar services. The competition is likely to increase in the future due to the expected growth of the market and the relatively few barriers to entry. Our principal competitors include:

- consulting firms;
- local, regional, national and international accounting firms;
- independent contractors;
- traditional and Internet-based staffing firms; and
- the in-house resources of our clients.

We cannot assure you that we will be able to compete effectively against existing or future competitors. Many of our competitors have significantly greater financial resources, greater revenues and greater name recognition, which may afford them an advantage in attracting and retaining clients and consultants. In addition, our competitors may be able to respond more quickly to changes in companies needs and developments in the professional services industry.

An economic downturn or change in the use of outsourced professional services consultants could adversely affect our business.

During fiscal 2008 and continuing into fiscal 2009, the United States economy has softened significantly, resulting in a reduction in our revenue as clients have delayed, down-sized or cancelled initiatives that involved the use of professional services. In addition, during fiscal 2009 several European and Asia Pacific countries reported contraction in their economies. Continued deterioration of the United States and international economies, including credit markets, could result in a further reduction in demand for our services and adversely affect our business in the future. In addition, the use of professional services consultants on a project-by-project basis could decline for non-economic reasons. In the event of a reduction in the demand for our consultants, our financial results could suffer.

The economic downturn may also affect our allowance for doubtful accounts. Our estimate of losses resulting from our clients failure to make required payments for services rendered has historically been within our expectations and the provisions established. However, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past, especially given the softening in the global economy. A significant change in the liquidity or financial position of our clients could cause unfavorable trends in receivable collections and additional allowances may be required. These additional allowances could materially affect the Company s future financial results.

We are required to periodically assess the recoverability of certain assets, including deferred tax assets and long-lived assets. Continued softening of the United States economy and the downturn in international economies could adversely affect our evaluation of the recoverability of such assets, requiring us to record a valuation allowance or impairment.

Our business depends upon our ability to secure new projects from clients and, therefore, we could be adversely affected if we fail to do so.

We do not have long-term agreements with our clients for the provision of services. The success of our business is dependent on our ability to secure new projects from clients. For example, if we are unable to secure new client projects because of improvements in our competitors service offerings, or because of a change in government regulatory requirements, or because of an economic downturn decreasing the demand for outsourced professional services, our business is likely to be materially adversely affected. New impediments to our ability to secure projects from clients may develop over time, such as the increasing use by large clients of in-house procurement groups that manage their relationship with service providers.

We may be legally liable for damages resulting from the performance of projects by our consultants or for our clients mistreatment of our consultants.

Many of our engagements with our clients involve projects that are critical to our clients businesses. If we fail to meet our contractual obligations, we could be subject to legal liability or damage to our reputation, which could adversely affect our business, operating results and financial condition. While we have not been subject to a legal claim filed by a client, it remains possible, because of the nature of our business, that we will be sued in the future. Claims brought against us could have a serious negative effect on our reputation and on our business, financial condition and results of operations.

Because we are in the business of placing our consultants in the workplaces of other companies, we are subject to possible claims by our consultants alleging discrimination, sexual harassment, negligence and other similar activities by our clients. We may also be subject to similar claims from our clients based on activities by our consultants. The cost of defending such claims, even if groundless, could be substantial and the associated negative publicity could adversely affect our ability to attract and retain consultants and clients.

We may not be able to grow our business, manage our growth or sustain our current business.

Historically, we have grown by opening new offices and by increasing the volume of services we provide through existing offices. During the recent economic slow-down, our revenue in the second and third quarters of fiscal 2009 has declined compared to the comparable prior year periods. There can be no assurance that we will be able to maintain or expand our market presence in our current locations or to successfully enter other markets or locations. Our ability to continue to grow our business will depend upon a number of factors, including our ability to:

- grow our client base;
- expand profitably into new cities;
- provide additional professional services offerings;
- hire qualified and experienced consultants;
- maintain margins in the face of pricing pressures;
- manage costs; and
- maintain or grow revenues and increase other service offerings from existing clients.

Even if we are able to continue our growth, the growth will result in new and increased responsibilities for our management as well as increased demands on our internal systems, procedures and controls, and our administrative, financial, marketing and other resources. Failure to adequately respond to these new responsibilities and demands may adversely affect our business, financial condition and results of operation.

The increase in our international activities will expose us to additional operational challenges that we might not otherwise face.

As we increase our international activities, we will have to confront and manage a number of risks and expenses that we would not face if we conducted our operations solely in the United States. Any of these risks or expenses could cause a material negative effect on our operating results. These risks and expenses include:

- difficulties in staffing and managing foreign offices as a result of, among other things, distance, language and cultural differences;
- less flexible labor laws and regulations;
- expenses associated with customizing our professional services for clients in foreign countries;
- foreign currency exchange rate fluctuations when we sell our professional services in denominations other than United States dollars;

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- protectionist laws and business practices that favor local companies;
- political and economic instability in some international markets;
- multiple, conflicting and changing government laws and regulations;
- trade barriers;
- reduced protection for intellectual property rights in some countries; and
- potentially adverse tax consequences.

We have acquired, and may continue to acquire, companies, and these acquisitions could disrupt our business.

We have acquired several companies and may continue to acquire companies in the future. Entering into an acquisition entails many risks, any of which could harm our business, including:

- diversion of management s attention from other business concerns;
- failure to integrate the acquired company with our existing business;
- failure to motivate, or loss of, key employees from either our existing business or the acquired business;
- potential impairment of relationships with our employees and clients;
- additional operating expenses not offset by additional revenue;
- incurrence of significant non-recurring charges;
- incurrence of additional debt with restrictive covenants or other limitations;
- dilution of our stock as a result of issuing equity securities; and
- assumption of liabilities of the acquired company.

Our computer hardware and software and telecommunications systems are susceptible to damage and interruption.

The management of our business is aided by the uninterrupted operation of our computer and telecommunication systems. These systems are vulnerable to security breaches, natural disasters, computer viruses, or other interruptions or damage stemming from power outages, equipment failure or unintended usage by employees. System-wide or local failures of these systems could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our cash and short-term investments are subject to economic risk.

The Company invests its cash, cash equivalents and short-term investments in U.S. treasuries and government agencies, bank deposits, money market funds, commercial paper and certificates of deposit. Certain of these investments are subject to general credit, liquidity, market and interest rate risks. In the event these risks caused a decline in value of any of the Company s investments, it could adversely affect the Company s financial condition.

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Our business could suffer if we lose the services of one or more key members of our management.

Our future success depends upon the continued employment of Donald B. Murray, our executive chairman. The departure of Mr. Murray or other members of our management team could significantly disrupt our operations. Key members of our senior management team include Thomas D. Christopoul, our president and chief executive officer; Karen M. Ferguson, executive vice president and chief strategy officer; Anthony Cherbak, executive vice president and president-international operations; Kate W. Duchene, chief legal officer and executive vice president of human resources; Nathan W. Franke, executive vice president and chief financial officer; and John D. Bower, senior vice president, finance. We do not have an employment agreement with Mr. Bower.

Our quarterly financial results may be subject to significant fluctuations that may increase the volatility of our stock price.

Our results of operations could vary significantly from quarter to quarter. Factors that could affect our quarterly operating results include:

- our ability to attract new clients and retain current clients;
- the mix of client projects;
- the announcement or introduction of new services by us or any of our competitors;
- the expansion of the professional services offered by us or any of our competitors into new locations both nationally and internationally;
- changes in the demand for our services by our clients;
- the entry of new competitors into any of our markets;
- the number of consultants eligible for our offered benefits as the average length of employment with the Company increases;
- the amount of vacation hours used by consultants or number of holidays in a quarter, particularly the day of the week on which they occur;
- changes in the pricing of our professional services or those of our competitors;
- variation in foreign exchange rates from one quarter to the next used to translate the financial results of our international operations;
- the amount and timing of operating costs and capital expenditures relating to management and expansion of our business;
- the timing of acquisitions and related costs, such as compensation charges that fluctuate based on the market price of our common stock; and
- the periodic fourth quarter consisting of 14 weeks, which occurred during the fiscal year ended May 31, 2008.

Due to these factors, we believe that quarter-to-quarter comparisons of our results of operations are not meaningful indicators of future performance. It is possible that in some future periods, our results of operations may be below the expectations of investors. If this occurs, the price of our common stock could decline.

If our internal control over financial reporting does not comply with the requirements of Sarbanes, our business and stock price could be adversely affected.

Section 404 of Sarbanes requires us to evaluate periodically the effectiveness of our internal control over financial reporting, and to include a management report assessing the effectiveness of our internal controls as of the end of each fiscal year. Our management report on internal controls is contained in our Annual Report on Form 10-K for the fiscal year ended May 31, 2008. Section 404 also requires our independent registered public accountant to report on our internal control over financial reporting.

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Our management does not expect that our internal control over financial reporting will prevent all errors or acts of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, involving us have been, or will be, detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of a person, or by collusion among two or more people, or by management override of controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to errors or fraudulent acts may occur and not be detected.

Although our management has determined, and our independent registered public accountant has attested, that our internal control over financial reporting was effective as of May 31, 2008, we cannot assure you that we or our independent registered public accountant will not identify a material weakness in our internal controls in the future. A material weakness in our internal control over financial reporting may require management and our independent registered public accountant to evaluate our internal controls as ineffective. If our internal control over financial reporting were not considered adequate, we may experience a loss of public confidence, which could have an adverse effect on our business and our stock price. Additionally, if our internal control over financial reporting otherwise fails to comply with the requirements of Sarbanes, our business and stock price could be adversely affected.

We may be subject to laws and regulations that impose difficult and costly compliance requirements and subject us to potential liability and the loss of clients.

In connection with providing services to clients in certain regulated industries, such as the gaming and energy industries, we are subject to industry-specific regulations, including licensing and reporting requirements. Complying with these requirements is costly and, if we fail to comply, we could be prevented from rendering services to clients in those industries in the future. Additionally, changes in these requirements, or in other laws applicable to us, in the future could increase our costs of compliance.

In addition, we may face challenges from certain state regulatory bodies governing the provision of certain professional services, like legal services or audit services. The imposition of such regulations could require additional financial and operational burdens on our business.

It may be difficult for a third party to acquire our Company, and this could depress our stock price.

Delaware corporate law and our amended and restated certificate of incorporation and bylaws contain provisions that could delay, defer or prevent a change of control of our Company or our management. These provisions could also discourage proxy contests and make it difficult for you and other stockholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that future investors are willing to pay for your shares. These provisions:

- authorize our board of directors to establish one or more series of undesignated preferred stock, the terms of which can be determined by the board of directors at the time of issuance;
- divide our board of directors into three classes of directors, with each class serving a staggered three-year term. Because the classification of the board of directors generally increases the difficulty of replacing a majority of the directors, it may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may make it difficult to change the composition of the board of directors;
- prohibit cumulative voting in the election of directors which, if not prohibited, could allow a minority stockholder holding a sufficient percentage of a class of shares to ensure the election of one or more directors;

require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing;

state that special meetings of our stockholders may be called only by the chairman of the board of directors, by our chief executive officer, by the board of directors after a resolution is adopted by a majority of the total number of authorized directors, or by the holders of not less than 10% of our outstanding voting stock;

- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;
- provide that certain provisions of our certificate of incorporation can be amended only by supermajority vote of the outstanding shares and that our bylaws can be amended only by supermajority vote of the outstanding shares or by our board of directors;
- allow our directors, not our stockholders, to fill vacancies on our board of directors; and
- provide that the authorized number of directors may be changed only by resolution of the board of directors.

The Company s board of directors has adopted a stockholder rights plan, which is described further in Note 10 *Stockholders Equity* of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2008. The existence of this rights plan may also have the effect of delaying, deferring or preventing a change of control of our Company or our management by deterring acquisitions of our stock not approved by our board of directors.

Beginning with the first quarter of fiscal 2007, we were required to recognize compensation expense related to employee stock options and our employee stock purchase plan. There is no assurance that the expense that we are required to recognize measures accurately the value of our share-based payment awards, and the recognition of this expense could cause the trading price of our common stock to decline.

Beginning in fiscal 2007, we were required to adopt SFAS 123 (R), which requires the measurement and recognition of compensation expense for all stock-based compensation based on estimated values. Thus, operating results beginning with fiscal 2007 contain a non-cash charge for stock-based compensation expense related to employee stock options and our employee stock purchase plan. The application of SFAS 123 (R) generally requires the use of an option-pricing model to determine the value of share-based payment awards. This determination of value is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Option-pricing models were developed for use in estimating the value of traded options that have no vesting restrictions and are fully transferable. Because our employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management s opinion the existing valuation models may not provide an accurate measure of the value of our employee stock options. Although the value of employee stock options is determined in accordance with SFAS 123(R) and Staff Accounting Bulletin No. 107 using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

As a result of the adoption of SFAS 123 (R), our earnings are lower than they would have been had we not been required to adopt SFAS 123 (R). There also is variability in our net income due to the timing of the exercise of options that trigger disqualifying dispositions which impact our tax provision. This will continue to be the case for future periods. We cannot predict the effect that this adverse impact on our reported operating results will have on the trading price of our common stock.

We may be unable to adequately protect our intellectual property rights, including our brand name. If we fail to protect adequately our intellectual property rights, the value of such rights may diminish and our results of operations and financial condition may be adversely affected.

We believe that establishing, maintaining and enhancing the Resources Global Professionals brand name are essential to our business. We have applied for United States and foreign registrations on this service mark. We have previously obtained United States registrations on our Resources Connection service mark and puzzle piece logo, Registration No. 2,516,522 registered December 11, 2001; No. 2,524,226 registered January 1, 2002; and No. 2,613,873, registered September 3, 2002 as well as certain foreign registrations. We had been aware from time to time of other companies using the name Resources Connection or some variation thereof and this contributed to our decision to adopt the operating company name of Resources Global Professionals. We obtained United States registration on our Resources Global Professionals service mark, Registration No. 3,298,841 registered September 25, 2007. However, our rights to this service mark are not currently protected in some of our foreign registrations, and there is no guarantee that any of our pending applications for such registration (or any appeals thereof or future applications) will be successful.

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Although we are not aware of other companies using the name Resources Global Professionals at this time, there could be potential trade name or service mark infringement claims brought against us by the users of these similar names and marks and those users may have service mark rights that are senior to ours. If these claims were successful, we could be forced to cease using the service mark Resources Global Professionals even if an infringement claim is not brought against us. It is also possible that our competitors or others will adopt service names similar to ours or that our clients will be confused by another company using a name, service mark or trademark similar to ours, thereby impeding our ability to build brand identity. We cannot assure you that our business would not be adversely affected if confusion did occur or if we were required to change our name.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In July 2007, our board of directors approved a new stock repurchase program, authorizing the purchase, at the discretion of our Company s senior executives, of our common stock for an aggregate dollar limit not to exceed $150 million. The table below provides information regarding our stock purchases made during the third quarter of fiscal 2009 under our stock repurchase program.

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Program**	**Approximate Dollar Value of Shares that May Yet be Purchased Under the Program**
November 30, 2008 December 27, 2008		$		**$ 41,646,662**
December 28, 2008 January 24, 2009	320,337	$ 14.50	320,337	**$ 37,001,511**
January 25, 2009 February 28, 2009		$		**$ 37,001,511**
Total November 30, 2008 February 28, 2009	320,337	$ 14.50	320,337	**$ 37,001,511**

On December 1, 2008, in connection with our acquisition of Kompetensslussen, we issued 18,302 shares of our restricted common stock to the shareholders of Kompetensslussen as partial consideration for the shares of Kompetensslussen. The issuance of these shares of restricted common stock was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of that act and pursuant to Regulation D and Regulation S promulgated under that act as a non-public sale to accredited investors and/or to non-U.S. persons outside the United States.

On January 16, 2009, in connection with our acquisition of Limbus, we issued 68,459 shares of our restricted common stock to the shareholders of Limbus as partial consideration for the shares of Limbus. The issuance of these shares of restricted common stock was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of that act and pursuant to Regulation D and Regulation S promulgated under that act as a non-public sale to accredited investors and/or to non-U.S. persons outside the United States.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

Subsequent to the third quarter of fiscal 2009, the Company announced a reduction in headcount and the closure of seven offices whose clients could be served from other offices within a close proximity. These actions will cost approximately $3.4 million, related to severance costs, leasehold improvement write-offs and estimated lease termination accruals to be recognized in the fourth quarter of fiscal 2009.

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Item 6. Exhibits

a) Exhibits

3.1	Amended and Restated Certificate of Incorporation of Resources Connection, Inc. (incorporated by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended November 30, 2004).
3.2	Amended and Restated Bylaws of Resources Connection, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended February 23, 2008).
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Resources Connection, Inc.
Date: April 9, 2009	/s/ Thomas D. Christopoul Thomas D. Christopoul President and Chief Executive Officer (Principal Executive Officer)
Date: April 9, 2009	/s/ Nathan W. Franke Nathan W. Franke Chief Financial Officer and Executive Vice President (Principal Financial Officer)

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EXHIBIT INDEX

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3.1	Amended and Restated Certificate of Incorporation of Resources Connection, Inc. (incorporated by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended November 30, 2004).
3.2	Amended and Restated Bylaws of Resources Connection, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended February 23, 2008).
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith.